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SUBJECT: KUWAIT PM'S ECON ADVISER ON TRADE AND ECONOMIC POLICY ISSUES

Classified By: Ambassador Richard LeBaron, reasons 1.4 (b) and (d)

¶1. (C) On March 19, Ambassador met briefly with the Prime Minister's Economic Adviser, Dr. Youssef Al-Ebraheem, to discuss U.S./Kuwaiti TIFA discussions and the state of economic reform in Kuwait. Ambassador briefed on the overall impressions of the previous week's discussions with visiting USTR official John Fennerty. Ambassador emphasized that the GOK appeared to need a strong, empowered coordinator and better outside assistance to grapple with the breadth and complexity of the issues that would need to be solved in order to achieve a free trade agreement with the United States. Al-Ebraheem took the points, noting that Dr. Fawzi Sultan is the putative coordinator for the GOK but has yet to be given the formal government mandate needed for an effective coordination effort.

¶2. (C) Al-Ebraheem admitted that the GOK needed to get its act together in order to proceed towards free trade negotiations, but he also noted that it still appeared that the U.S. had political reasons for choosing the order of the partners it chooses for FTA talks. Ambassador disputed this, saying that other countries were largely selected as negotiating partners because of their level of preparedness and enthusiasm. Al-Ebraheem said he had been in UAE during the recent USTR talks there and had read Cathy Novelli's positive press interview with some surprise. He said, "there is no way UAE is meeting WTO standards of IPR protection or transparency." He noted the same for Qatar. Al-Ebraheem said he hoped that there would be another formal U.S./Kuwait TIFA Council before summer. In response to Ambassador's remark that Kuwait did not seem highly motivated, at least for economic reasons, to achieve an FTA, he confirmed that the main purpose of a Kuwait FTA with the U.S. is not trade enhancement, but achievement of internal reform of laws and regulations and "upgrading of the economic environment." Al-Ebraheem said he would be in touch soon with Commerce Minister Al-Taweel to set up a seminar on Free Trade Agreements. This would likely be backed also by the America/Kuwait Alliance. Al-Ebraheem asked for U.S. participation in such a seminar.

¶3. (C) In response to Ambassador's request for an assessment of the overall state of economic reform in Kuwait, Al-Ebraheem said he was not satisfied. He noted some slow progress in legislation and upgrading regulations, in such areas as privatization, tax law, and labor law. He said the private sector is being encouraged and is doing well, particularly in real estate and the oil sector partnerships. He predicted that the massive Project Kuwait (to develop Northern oil fields) would pass the National Assembly, and he pointed to other massive infrastructure development moving forward, including the large project to develop a port complex at Bubiyan Island. However, he said there is still not a "common business plan" within the GOK that deals with economic development in the broad sense. He pointed to the need for changes in education, increased wages, and better health services.

¶4. (C) On the prospects for passage of women's political rights in the National Assembly, Al-Ebraheem said the chances are good for the bill, if the GOK "plays it right." He noted the importance of the support campaign involving senior figures, including the Crown Prince. (Note: While the Crown Prince is in no shape to participate personally in this debate, the supportive statement from his office did have some impact, given the respect afforded to him and the prestige of his position.)

¶5. (C) Asked about the work of the America Kuwait Alliance, (which he oversees), Al-Ebraheem said that progress was slow. The AKA is looking for a U.S. Chairman. They are facilitating a visit by the Vice Chairman of CITIGROUP on April 3. The AKA will support the seminar on FTA. They want to support the Junior Achievement project (that we proposed to the AKA) but the JA people postponed a visit to Kuwait. They are working with the National Union of Kuwaiti Students on exchanges, and they want to develop an American/Kuwaiti Business Council in cooperation with the Kuwaiti Chamber of Commerce. (This joint council would be distinct from the

current American Business Council.) Al-Ebraheem sees the future AKA as the "holding company" for these subsidiary efforts.

LEBARON